



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Required Report - public distribution

Date: 11/4/2003

GAIN Report Number: HU3009

Hungary

Poultry and Products

Annual

2003

Approved by:

Sarah Hanson
U.S. Embassy

Prepared by:

Dr. Ferenc Nemes

Report Highlights:

Production of broilers stagnated and the output of turkey grew in 2003. Forecasts indicate slow development for 2004 due to high feed grain prices and decreased government subsidy for the poultry sector. Next year EU membership brings lower import tariffs for "third" countries, like the USA, but only the poultry genetics offer short time export opportunities for American exporters.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
Annual Report
Vienna [AU1]
[HU]

Production - General

Production of broilers were kept low by depressed domestic prices in the first half of 2003; a side effect of saturated pork market.

By the middle of 2003 market demands for broilers and parts started to grow, but both the output and exports were 20-25 % lower than a year ago. Feed prices will increase considerably in the winter of 2003/2004, this is why broiler production is to drop in 2004.

Turkey production grew in the first half of 2003 but at a smaller scale than in the previous years. The engine of the moderate growth was the demand of domestic processing industry.

Production Factors

Feed prices will increase considerably in the winter of 2003/2004 due to low harvest. Low animal numbers (swine and poultry) and high feed stocks, however forced feed mills, so far, to maintain lower compound feed price rise than the soaring feed grain prices. Both the hog and poultry sectors will be negatively affected by the further increase of domestic feed grain prices (though most input prices are now considerably lower than EU prices). Animal breeders associations have lobbied at GOH for ban on feed grain and formula feed exports.

Production Policy

Poultry farmers and processors receive several kinds of production and marketing support from the government. These range from direct payments for quality bonuses, intervention purchase payments, partial write-off of interest on investment loans, and interest reimbursements for operating loans.

Two factors that equally affect broiler and turkey farms are government subsidies in the future EU membership (from May 2004), and feed prices after a drought hit crop season. Poultry farms may expect GOH/EU subsidies for only animal welfare investments, animal health fees and for the incineration of dead animal. Some farms may receive income supplement from EU guarantee funds, but the overall production support for poultry farms, as a EU member, will be lower than the actual support level. Export subsidies on poultry in the EU, at the same time, will be available for more kinds of poultry products at a higher level than the actual Hungarian system (WTO commitments) permits.

Some subsidies (such as export subsidies, meat storage, some breeding programs, etc.) are only paid as the result of a competitive bidding process open for all EU member states. Hungarian farmers are as yet inexperienced at writing tenders and, in many instances, are short of collateral and credit needed for performance bonds.

Consumption

Consumption of chicken reached a peak in 2001. Food safety concerns, fueled by imported Belgian chicken fed by adulterated Asian feed, reduced consumption at the beginning of 2002.

Consumer demand has come back since then, but other negative factors remain including a rebound in the consumption of beef and pork and a strong national currency.

Increasing consumption and exports of value-added turkey products - stable and stable demand from processors - has kept the turkey market strong, even if the rate of production increases has slowed.

Per capita consumption of major food items :

	1998	1999	2000
Meat & products, kg	61.8	61.5	71.7
of which Beef	4.1	4.2	4.4
Pork	26.5	28.8.0	28.5
Poultry	24.4	26.8	34.4
Fish, kg	2.5	2.8	3.0
Milk & Dairy, kg	151.8	154.3	154.3
Eggs, kg	14.9	15.5	15.6
Fats & Oils, kg	36.7	34.8	39.7
of which Lard	17.5	18.6	18.3
Butter	1.1	0.9	0.9
Vegetable Oil, Margarine	16.6	13.7	18.3

Source: Central Statistical Office, Hungarian Statistical Yearbook, 1998-2001

Export Subsidies

Under the pressure of poultry producers the GOH launched temporary export support programs for whole chicken two times in 2003. The first program was released for 2,500 MT whole chicken (fresh, chilled, frozen alike) with a budget of HUF 250 million (USD 1.1 million) in February. The support was HUF 100/kg (USD 0.4/kg) for exports to any country excluding the EU and CEFTA countries or HUF 50/kg (USD 0.2/kg) if the destination is a CEFTA country.

The second round of export support was issued in July for 1,500 MT whole frozen broilers, with a budget of HUF 150 million (USD 660,000). The subsidy on a kilogram product was the same as above. The most important buyers of Hungarian chicken are EU countries this is why the export support measures had limited affect on the poultry exports.

Export subsidies on poultry in the EU, will be available for more kinds of poultry products at a higher level than the actual Hungarian export subsidies.

Trade

Overall Trade

Export of broilers was bearish due to strong national currency and heavy competition (brazil, Thailand) in 2003. Sales of chicken meat between January-July 2003 were only 72.5 percent of the volume of the same period of 2002. The market of boneless parts suffered of the least decline, while breast and thigh with bones exports decreased most (66.2 and 36.2 percent respectively).

Turkey exports were relatively weak (total 6.5 percent increase over 2002), particularly to the non-EU European markets. Sales to the EU member countries were better on the basis of a duty free quota, although strong currency and third country competition hurt turkey exports as well. Forecasts for 2004 are stagnating or slightly growing output and exports.

Hungary tried to expand its poultry sales to Russia, once a major destination for the country's poultry products, but due to marketing and financing shortcomings this market is not considered a factor at this time.

Poultry meat imports come mainly from EU countries. Imported products are either cheap meat cuts for further processing (poultry Verona sausage, frankfurters etc.) or edible organs such as chicken liver. Imports of breasts or thighs are small and occur only during brief periods of short supply. Poultry meat (incl. Edible offals) imports between January – July, 2003 was 23 percent lower than a year ago.

The United States is maintaining its leading position as a supplier of poultry genetics to Hungary.

Trade Matrices

Export Trade Matrix

Country	Hungary		
Commodity	Poultry, Meat, Broiler		
Time period	CY 2002	Units:	1,000 MT
Exports for:			1
U.S.		U.S.	
Others		Others	
Germany	36		
Switzerland	14		
France	6		
Netherlands	4		

Total for Others	60	0
Others not Listed	25	
Grand Total	85	0

Note: including meat of hen and cock and giblets

Commodity	Poultry, Meat, Broiler		
Time period	CY2002	Units:	1,000 MT
Imports for:			1
U.S.	0	U.S.	
Others		Others	
Netherlands	2		
Germany	1		
Belgium	1		
Great Britain	1		

Total for Others	5	0
Others not Listed	1	
Grand Total	6	0

Export Trade Matrix

Country	Hungary		
Commodity	Poultry, Meat, Turkey		
Time period	CY 2002	Units:	1,000 MT
Exports for:			1
U.S.	0	U.S.	
Others		Others	
Germany	24		
Italy	10		
Switzerland	9		
Austria	8		

Total for Others	51	0
Others not Listed	20	
Grand Total	71	0

Import Trade Matrix

Country	Hungary		
Commodity	Poultry, Meat, Turkey		
Time period	CY 2002	Units:	1,000 MT
Imports for:			1
U.S.	0	U.S.	

Others	Others
France	2
Great Britain	1
Denmark	1

Total for Others	4	0
Others not Listed	1	
Grand Total	5	0

Tariff Changes

The following table contains import tariffs for live poultry and poultry products for 2003. Most Favored Nation (MFN) tariffs mean the general tariff level. Based on free trade agreements with the EU, EFTA, Turkey, Israel, Bulgaria, Czech Republic, Estonia, Latvia, Poland, Romania, Slovakia, and Slovenia (the latter eight countries will be referred to later as "CEFTA") the tariff schedule may contain preferential tariffs or preferential (country specific) TRQs).

Tariffs of poultry and poultry products (CY 2003)				
	Breeder Poultry		Poultry Meat	
	Chicken	Turkey	Chicken	Turkey
HS code	0105 11 11 00	0105 12	0207 14	0207 24
MFN tariffs	22	37.4	39	39
Preferential tariffs				
CEFTA Cz tariffs	9	9	20	15
CEFTA Sl tariffs	9	9	20	15
CEFTA Po tariffs	9	9	28	28
CEFTA Ro tariffs	9	9		
Liver from any poultry				
EU	0	0	0	

Preferential tariffs under quota				
	All breeder poultry		Poultry meat and edible offal	
EU Quota (MT)	70		16,500	
EU Tariff	0		0	
GATT Quota (MT)**	11425*			
GATT Tariff	15			
	* Joint quota for poultry meat and live animals (HS 0105, 0207)			
Unilaterally given TRQs**				
Quota	For 3.7 million pc baby poultry and 8.6 million hatching eggs			
Tariff	0			
	** Open for all countries			

As of May, 2004 Hungary is going to take over the EU outside tariff system. The number of potential export products from the United States to Hungary where EU membership brings a higher tariff is surprisingly limited. These products are beef, poultry meat, barley, and rice, some beef preparations, margarine and apple juice concentrate. Hungary imports these commodities regularly, including in some years from the United States. With the exception of rice, Hungary is also often a net exporter of these commodities.

The basic tariffs for live chicken (breeders) will be reduced (from 22-37.4 % to about 7-20 %) but the actual TRQ (with a 0% in-quota duty) will be terminated in 2004. U.S. poultry genetics are well established on the Hungarian market and, barring additional EU animal health barriers, sales should stay strong.

Edible offal (hog and cattle) including poultry liver will meet lower tariffs (from 39% to 6.4%) but purchases very much depend on domestic demands and future EU technical import restrictions.